



**Testimony
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Connecticut Council of Small Towns
Before the Education Committee
February 26, 2018**

The Connecticut Council of Small Towns (COST) ***strongly supports*** HB – 5171 - AN ACT PROHIBITING THE EXECUTIVE BRANCH FROM MAKING RESCISSIONS OR OTHER REDUCTIONS TO THE EDUCATION COST SHARING GRANT DURING THE FISCAL YEAR.

Midyear cuts in education funding have wreaked havoc in many communities throughout Connecticut. Last year, recognizing the state's ongoing fiscal challenges, towns worked hard to carefully and prudently craft budgets reflecting anticipated reductions in municipal aid. Although most towns adopted budgets prior to their July 1 fiscal year, some towns held off so that they could adopt budgets that reflected accurate levels of municipal aid.

Unfortunately, just a few short weeks after the legislature finally adopted a budget, the governor exercised his authority to impose significant cuts in education funding, leaving towns scrambling to address shortfalls. Towns were forced to cut programs, delay road and building projects, and/or issue supplemental tax bills. In addition, many towns had to draw down fund balances to address budget shortfalls, which, in some cases, has triggered lower bond ratings leading to higher capital borrowing costs.

The problem is, midyear cuts have been enacted well after school districts begin hiring personnel, purchasing textbooks, computers, copiers, and other equipment, and entering into contracts for transportation, heating oil, maintenance, insurance, etc. Contracts for such goods and services must typically be in place in the summer prior to the beginning of the school year.

Although the adopted state budget includes provisions authorizing towns to adjust budgets to reflect reductions in education funding and other municipal aid, it is our understanding that most of these cuts had to be taken out of the town's general budget. For example, some towns participating in regional school districts were advised that because the budget was adopted at referendum, regional boards of education were not required to adjust their budgets.

Also, because the budget adjustment language did not specifically reference midyear rescissions, towns were precluded from adjusting budgets to reflect the holdbacks. Moreover, the language only allowed towns to adjust their budgets if they had adopted their budget



before the state adopted its budget. Towns that waited to adopt their budget but were then faced with significant cuts due to holdbacks could not adjust their budget.

For many small towns, the deficit holdbacks were significant, given the overall size of their budget:

- The following small towns were cut by more than \$500,000 - Berlin, Bethel, Brooklyn, Clinton, Coventry, East Hampton, East Lyme, Hebron, Monroe, North Branford, North Haven, Shelton, Simsbury, Somers, Suffield
- The following small towns were cut by more than \$750,000 – Cheshire, Ellington, Griswold, Plainville, Plymouth, Seymour, Stafford, Tolland, Watertown, Wethersfield
- The following small towns were cut by more than \$1,000,000 – Colchester, Ledyard, Mansfield, Montville, New Milford, Newington, Plainfield, South Windsor, Wolcott

The holdbacks also resulted in severe cuts in many poorer, rural districts in Southeastern Connecticut, imposing considerable hardship on these communities.

Given that the education budget generally comprises between 70-80% of the town's budget, towns that have been forced to absorb the cuts in education funding out of their town budget are really struggling. They are worried about how they are going to continue to fund police/resident troopers, fire and emergency medical services, road repairs, building maintenance, etc. without overwhelming property taxpayers. They have been advised by bond rating companies that their rating may be lowered because they depleted their fund balances and are worried that this will impact their ability to fund needed infrastructure projects.

Towns and boards of education are now engaged in budget meetings and hearings. Unfortunately, towns continue to be hamstrung by state mandates that make it difficult to control educational and other expenditures. ***The state Department of Education recently notified school districts that the governor's holdbacks do not count as state aid reductions for purposes of the Minimum Budget Requirement and therefore towns are not permitted to reduce education appropriations by the holdback amounts.***

Given the enormous fiscal challenges facing the state and municipalities, lawmakers must provide towns and cities with the tools needed to manage local budgets and property tax levels.

COST urges lawmakers to **SUPPORT HB-5171 to eliminate the authority of the administration to enact midyear cuts in municipal aid.** We also urge lawmakers to adopt legislation specifying that any midyear lapses or holdbacks in education funding enacted in 2017 are reflected for purposes of determining a school district's Minimum Budget Requirement.